

Form revised: December 12, 2012

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Parks and Recreation	Eric Friedli/684-8369	Jeff Muhm/684-8049

Legislation Title: AN ORDINANCE relating to the Department of Parks and Recreation; authorizing the Superintendent to enter into a lease agreement with Seattle Waldorf School to occupy and use a portion of Building 11 at Warren G. Magnuson Park.

Summary of the Legislation:

The proposed legislation authorizes the Department of Parks and Recreation (DPR) to enter into a ten-year lease agreement with Seattle Waldorf School (SWS) to occupy and use a portion of Building 11 at Magnuson Park for K-12 educational purposes. Educational proposes will include support functions, such as office space necessary to support the permitted use. The proposed agreement includes two options to extend for five years each. SWS will start renovation of the premises in Spring 2014 and fully occupy the space at the beginning of the school year in Fall 2014.

SWS will occupy 12,910 square feet year round as a primary space for offices and classrooms. In addition, they will share 2,760 square feet with DPR. SWS will have use of the shared space Monday-Friday, 8:00 a.m. to 5:00 p.m. during the school year. DPR will have the right to use the shared space during evenings, weekends, and when school is out of session for the summer. It is likely DPR will find other renters for the space during the time DPR controls it. Included in the lease is a “second right of refusal” for 1,150 square feet on the west side of the building.

Building 11 transferred to City ownership from the U.S. Navy in 1999. At that time, the building was in poor condition and in need of substantial upgrades. In 2005, DPR issued a request for proposals to redevelop the building, fill it with a mix of parks and recreation and non-parks and recreation oriented tenants, all at no cost to the City. The City entered into a lease agreement with Building 11 LLC (the LLC) in 2009. Insurmountable issues rose implementing the 2009 Lease agreement and the subsequent desire for amendments by the LLC. In February 2013, The City and the LLC entered into a settlement agreement where the LLC will complete certain renovations to the building and terminate the lease agreement, in exchange for payments totaling \$7.25 M.

In addition to work being completed by the LLC, SWS has the option to make additional improvements (at the school’s cost) to the 12,910 sq ft at the south end of the building to be exclusively occupied by SWS. Any improvements may be credited as a rent offset for up to \$1,000,000. DPR is responsible for minimal upgrades to the 2,760 sq ft of shared space.

Since March 2013, the City has been approached by various potential tenants interested in occupying portions of Building 11, one being SWS. This agreement is the result of negotiations held during April/July 2013.

This legislation does not have any financial implications.

 X This legislation has financial implications.

Appropriations: N/A

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL	N/A	N/A	N/A	N/A

Appropriations Notes:

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Park and Recreation Fund (10200)	Parks and Recreation	Income from Base Rent payment	\$0	\$85,145
TOTAL				\$85,145

Revenue/Reimbursement Notes:

Tenant will pay market level rents. They will pay \$22 sq ft for year round exclusive (12,910 sq ft) space and \$11 sq ft for shared (2,790 sq ft) space that they will use Monday- Friday, 8a.m.- 5p.m. during the school year Rent will increase by 3% per year beginning August 1 of each year.

SWS will be allowed to offset its rent to fund up to \$1,000,000 in tenant improvements to the building. The rent offset maximum is 35% each month until the tenant improvements are fully reimbursed. Estimated rent (after tenant improvement reduction) each year is shown in Table 2.

Table 2: Estimated Rent Payment schedule

2014	\$85,145
2015	\$206,901
2016	\$213,108
2017	\$219,502
2018	\$226,087
2019	\$232,869
2020	\$239,855
2021	\$247,051
2022	\$290,991
2023	\$403,225

**Total Regular Positions Created, Modified, or Abrogated through this Legislation,
Including FTE Impact: N/A**

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/F T	2013 Position s	2013 FTE	2014 Positions *	2014 FTE*
TOTAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Position Notes:

Do positions sunset in the future? N/A

Spending/Cash Flow: N/A

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
TOTAL	N/A	N/A	N/A	\$51868

Spending/Cash Flow Notes:

Parks will pay utilities, common area maintenance and tenant management costs associated with this and other tenant agreements in the building. Based on experience with other buildings at Magnuson Park, we estimate those costs to be \$3.31 sq. ft. The estimated cost is \$51,868 for 2014.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes, as shown in Table 2 revenues continue to increase during the term of the agreement.
- b) **What is the financial cost of not implementing the legislation?**
Parks will have to start searching for a different tenant or tenants to occupy the space.
Rental revenue from these spaces would be delayed.

- c) **Does this legislation affect any departments besides the originating department?**
No.

What are the possible alternatives to the legislation that could achieve the same or similar objectives?

Other than finding a similar tenant who can agree to similar terms, there are no feasible alternatives to the legislation that would achieve the same result.

- d) **Is a public hearing required for this legislation?**
No

- e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No

- f) **Does this legislation affect a piece of property?**
Yes - a map is included as exhibit 1 in Attachment 1 of the ordinance.

- g) **Other Issues:**
None

List attachments to the fiscal note below:

Attachment A: Contract Summary Form